



**AUDITOR-CONTROLLER  
COUNTY OF ORANGE**

HALL OF FINANCE AND RECORDS  
12 CIVIC CENTER PLAZA, ROOM 202  
POST OFFICE BOX 567  
SANTA ANA, CALIFORNIA 92702-0567

(714) 834-2450 FAX: (714) 834-2569

[www.oc.ca.gov/ac](http://www.oc.ca.gov/ac)

**DAVID E. SUNDSTROM, CPA  
AUDITOR-CONTROLLER**

**JOHN H. NAKANE  
CHIEF ASSISTANT AUDITOR-CONTROLLER**

**JAMES M. McCONNELL  
ASSISTANT AUDITOR-CONTROLLER  
CENTRAL OPERATIONS**

**SHAUN M. SKELLY  
ASSISTANT AUDITOR-CONTROLLER  
AGENCY ACCOUNTING**

**MAHESH N. PATEL  
ASSISTANT AUDITOR-CONTROLLER  
INFORMATION TECHNOLOGY**

April 2, 2004

**TO: James D. Ruth, County Executive Officer**  
**SUBJECT: Second Report - General Fund Level Revenues**

**EXECUTIVE SUMMARY**

The attached report is our second forecast of FY 2004-05 General Fund level revenues. Our estimate of FY 2004-05 available financing is \$526.9 million. This includes an estimated fund balance of \$107.2 million and a fund level revenue estimate of \$419.7 million. This represents an increase of \$.3 million in fund level revenues from our first report due to an increase in penalties offset by a reduction in Motor Vehicle License Fees.

These projections and estimates do not include the impact of changes in Vehicle License Fee (VLF) revenues proposed by the Governor or the Legislature. If the continuation of the VLF gap in the form of an ERAF shift is implemented by the State, the impact on discretionary fund level revenues would be approximately \$61.9 million annually.

This estimate is preliminary and is subject to significant change due to the impact of State budget proposals, the impact of County Executive Office expenditure restrictions, and refinement of County department/agency projections. Our forecast of FY 2004-05 available financing is a decrease of \$68.5 million or 11.5 percent from FY 2003-04 projected financing.

**SUMMARY OF SCHEDULES**

The available financing estimate is the result of many significant revenue assumptions which are discussed in the attached schedules and notes to the report. The attached schedules are:

**Schedule A – SECOND AVAILABLE FINANCING REPORT WITH NOTES**

The notes to the report detail the underlying assumptions made in developing the projections.

**Schedule B – EXPLANATION OF FUND BALANCE AVAILABLE**

**Schedule C – NET COUNTY COST AND APPROPRIATION DEFICITS  
AS OF MARCH 15, 2004.**

## BASIS OF REPORT

### Economic Trends

In preparing the estimates for this report, we have tried to focus on the latest available economic information. We will continue to monitor revenues closely and make that information available to CEO staff as necessary.

We are forecasting fund level revenues \$6.2 million above budget for the current year. Estimates for FY 2004-05 assume growth in all revenue sources except Transfers In.

### Property Taxes

The estimate of FY 2004-05 property taxes reflects an overall 5.8 percent growth in property tax revenues based upon the Assessor's estimate, adjusted for anticipated tax roll changes and refunds. This projection could be significantly reduced if the two-percent assessment appeals case ultimately results in the refund and continuing reduction of secured property taxes. The case was heard by the appeals court, which ruled in the County's favor. The case may yet be heard by the State Supreme Court. Because this case has not been fully adjudicated, I have not included the impacts to the General Fund which are estimated to be \$22.9 million in refunds and \$9.1 million reduction in the first year of implementation exclusive of interest.

The property tax estimate for FY 2004-05 also does not include the Governor's proposed additional shift of property taxes to ERAF, which would result in a loss of an estimated \$61.9 million, based on CSAC estimates.

### Motor Vehicle License Fees

The VLF estimate for FY 2004-05 reflects a net increase of 5.2 percent. The projection is an average of the most recent trend analysis, the Chapman University forecast, and State estimate. VLF revenue for 2003-04 was reduced by \$9.5 million for the gap loan for September which will be paid to the County this year under the hardship provision of SB 1057. The October backfill, which was anticipated to be received this year, has been converted to a loan to be repaid in 2006 and will not be received this year. The 2004-05 estimate includes restoration of that gap and revenue growth. VLF revenue is reduced in FY 2002-03 by \$21.8 million for the VLF intercept for the 1995 Refunding Recovery Bonds, and in FY 2003-04 the intercept amount increases to \$28.3 million.

### Interest Revenue

For FY 2004-05 the projected interest-earning rate is estimated at 1.40 percent, based on the CEO Budget guidelines which comes from Treasurer/Tax Collector and Chapman University forecast. This is an increase from the FY 2003-04 projected interest-earning rate of 1.03 percent.

### Sales Tax Revenue

Sales tax revenues are based on estimates by the Chapman University Economic Forecast for Orange County; Hinderliter De Llamas & Associates, the County's sales tax consultant; and the State forecast. The result is a 5.9 percent increase in forecasted revenues. This sales tax estimate does not include the Public Safety Sales Tax or the Health and Welfare Realignment Sales Tax, since these revenue estimates are included in the departmental budgets of the departments which receive these restricted revenues.

### Interfund Transfers

Revenue for Transfers In for FY 2003-04 is projected below budget due to anticipated delays in real property sales.

Forecasted revenue for FY 2004-05 includes \$7.5 million of Pension Obligation Bond (POB) reserve interest and \$1.6 million from Fund 15R Debt Reduction Fund.

Forecasted revenue for FY 2003-04 includes \$29.7 million transferred from Fund 15S Designated Special Revenue Fund, \$7.5 million interest income transferred from the 1995 Recovery Bond reserve fund, which comes to the County General Fund through Fund 15J POB reserve interest. This revenue reverts to the General Fund since the VLF and sales tax intercepts fully fund the required debt service payment. Also included is \$1.6 million from Fund 15R Debt Reduction, and \$.5 million from Fund 135 Real Estate Development Program.

### Fund Balance Available (FBA) and Reserves

The FBA estimate is based on projections of current year revenues over expenditures/encumbrances submitted by departments/agencies based on actual history through February 2004. The FBA estimate is preliminary and will likely increase in future available financing reports as departments/agencies refine their projections that will be impacted by expenditure restrictions. Historically, Net County Cost projections submitted by departments are very conservative at this point in the budget process, and final FBA tends to increase over this preliminary estimate.

The FBA estimate of \$107.2 million is a decrease of \$56.6 million or 34.6 percent from the beginning FBA of \$163.8 million. Approximately \$25.1 million of the FBA estimate is due to unspent/unencumbered capital projects, which may need to be rebudgeted in the FY 2004-05 budget.

General Fund Reserve Balances at March 31, 2004 are:

<u>Reserve Account</u>	<u>In Millions</u>
Operations – Strategic Plan	\$90.0
Contingencies	18.0
Total	<u>\$108.0</u>

If you have any questions or would like to discuss this report in more detail, please call me.



David E. Sundstrom  
Auditor-Controller

JEG:lr/wg (AvFinLtr Gen Fund Level Rev)  
Attachment

cc: Charles V. Smith, Supervisor, District 1  
James W. Silva, Supervisor, District 2  
Bill Campbell, Supervisor, District 3  
Chris Norby, Supervisor, District 4  
Thomas W. Wilson, Supervisor, District 5  
Agency/Department Heads  
Fred Branca, Chief Financial Officer  
Steve Dunivent, CEO/Budget Services  
Tom Sacco, CEO/Financial Planning  
Dr. Esmael Adibi, Chapman University

County General Fund  
Second Available Financing Report  
Fiscal Year 2004-05  
(In Thousands)

SCHEDULE A

		FY 02-03 Actual	FY 03-04 Budget	FY 03-04 Projection	Projection to Budget Variance	FY 04-05 Estimate	FY 04-05 Growth	FY 04-05 % Growth	Notes
<b>Property Tax</b>									
6210	Secured	\$130,535	\$139,327	\$138,867	(\$460)	\$147,072	\$8,205	5.9%	1
6220	Unsecured	6,626	6,914	6,854	(60)	6,991	137	2.0%	2
6230	Prior Year Secured	84	0	97	97	0	(97)	-100.0%	
6240	Prior Year Unsecured	90	100	98	(2)	98	0	0.0%	
6280	Supplemental	5,707	4,325	5,906	1,581	6,508	602	10.2%	3
6300	Prior Year Supplemental	177	159	151	(8)	151	0	0.0%	
6690	Homeowners	1,849	1,857	1,951	94	2,058	107	5.5%	4
	Net Property Taxes	145,068	152,682	153,924	1,242	162,878	8,954	5.8%	
8540	Penalties	15,823	13,786	18,764	2,978	17,770	1,006	8.0%	5
6290-59	Property Transfer Tax	20,349	15,708	24,308	8,600	21,877	(2,431)	-10.0%	6
	Total Property Tax Revenue	\$181,040	\$182,178	\$194,996	\$12,820	\$202,525	\$7,529	3.9%	
<b>Sales and Other Taxes</b>									
6270	Sales and Use Tax	\$5,024	\$5,764	\$5,306	(\$458)	\$5,820	\$314	5.9%	7
6290-10	Aircraft Tax	1,824	1,860	2,224	364	2,400	176	7.9%	
6290-74	Transient Occupancy Tax	232	231	192	(39)	202	10	5.2%	
	Total Sales and Other Taxes	\$7,080	\$7,855	\$7,722	(\$133)	\$8,222	\$500	6.5%	
<b>Motor Vehicle Licensing Fees</b>									
6740-00	Apportionment 1 (population)	\$137,790	\$125,170	\$132,756	\$7,586	\$137,742	\$4,986	3.8%	8
6740-00	95 Recovery Bonds	(21,831)	(28,344)	(28,344)	0	(28,344)	0	0.0%	8
6740-00	Net Apportionment 1	115,959	96,826	104,412	7,586	109,398	4,986	4.8%	
6740-01	Apportionment 2 (Counties)	57,481	51,898	54,367	2,469	57,785	3,418	6.3%	8
6740-02	TP&D Roundabout/Trailers	5,007	3,052	2,396	(656)	2,396	0	0.0%	8
	Total MVLF	\$178,447	\$151,776	\$161,175	\$9,399	\$169,579	\$8,404	5.2%	
<b>Property Tax Administration</b>									
7310	Property Tax Admin Charge	\$7,767	\$7,885	\$8,543	\$658	\$9,398	\$855	10.0%	9
<b>Franchise and Rents</b>									
6470	Franchises	\$1,130	\$1,515	\$1,761	\$246	\$1,814	\$53	3.0%	10
6620	Rents and Concessions	247	33	147	114	147	0	0.0%	
	Total Rents and Concessions	\$1,377	\$1,548	\$1,908	\$360	\$1,961	\$53	2.8%	
<b>Interest Income</b>									
6610	Interest	\$8,881	\$6,693	\$5,218	(\$1,475)	\$6,220	\$1,002	19.2%	11
<b>Miscellaneous Revenue</b>									
6970	Miscellaneous Subvention	\$6	\$6	\$6	\$0	\$6	\$0	0.0%	
7090	Federal In-Lieu	64	53	53	0	53	0	0.0%	
7120	Other In Lieu Taxes	0	3,110	3,120	10	3,233	113	3.6%	12
7130	Other Governmental Agencies	12,745	9,000	8,159	(841)	8,159	0	0.0%	12
7430	Court Fees	3	0	1	1	0	(1)	-100.0%	
7670	Miscellaneous	741	575	522	(53)	500	(22)	-4.2%	
7680	Expired Checks	1,207	500	780	280	700	(80)	-10.3%	
7811	Transfers In	9,467	54,166	39,323	(14,843)	9,130	(30,193)	-76.8%	13
	Total Miscellaneous Revenue	\$24,233	\$67,410	\$51,964	(\$15,446)	\$21,781	(\$30,183)	-58.1%	
<b>Total General Purpose Rev.Excl. FBA</b>		<b>\$408,825</b>	<b>\$425,343</b>	<b>\$431,526</b>	<b>\$6,183</b>	<b>\$418,686</b>	<b>(\$11,840)</b>	<b>-2.7%</b>	
<b>Fund Balance Available</b>		<b>\$152,642</b>	<b>\$163,830</b>	<b>\$163,830</b>	<b>\$0</b>	<b>\$107,195</b>	<b>(\$56,635)</b>	<b>-34.6%</b>	14
<b>Total Available Financing</b>		<b>\$561,467</b>	<b>\$589,173</b>	<b>\$595,356</b>	<b>\$6,183</b>	<b>\$526,881</b>	<b>(\$68,475)</b>	<b>-11.5%</b>	

Date: March 30, 2004

**NOTES TO SECOND AVAILABLE FINANCING REPORT  
COUNTY GENERAL FUND AVAILABLE FINANCING  
FISCAL YEARS 2004-05 AND 2003-04**

1. 6210: Secured Property Tax

Projected FY 2003-04 revenue is approximately at budget.

The FY 2004-05 revenue estimate is a 5.9 percent increase based on growth estimate provided by the Assessor. The estimate does not include any additional ERAF shifts proposed by the Governor.

2. 6220: Unsecured Property Tax

The FY 2004-05 revenue estimate reflects a 2.0 percent estimated increase in assessed valuation.

3. 6280: Supplemental Property Tax

The projected revenue for FY 2003-04 is \$1.5 million over budget due to continuing strength in the real estate market. Growth is projected for FY 2004-05 based on trend.

4. 6690: State Homeowners Property Tax Subvention

The estimated FY 2004-05 revenue is a 5.5 percent increase based upon trend analysis of growth in the tax roll.

5. 6540: Penalties - Tax

FY 2004-05 revenue is estimated to increase 6.0 percent due to assessed valuation increases in the tax rolls.

6. 6290: Property Transfer Tax

Projected FY 2003-04 revenue is \$8.6 million over budget due to stronger than anticipated property transfer activity. Estimate for FY 2004-05 reflects a decrease of 10.0 percent, assuming an overall drop in property transfer activity.

7. 6270: Sales and Use Tax

The projected FY 2003-04 revenue is \$458,000 below budget due to slower than expected economic growth. This projection is based on forecasts from Chapman University, the Governor's budget, and the HDL Company. The estimate for FY 2004-05 assumes growth of 5.9 percent, based on the Governor's Budget, State Board of Equalization, Chapman University, and HDL forecasts.

8. 6740: Motor Vehicle License In-Lien Fees

The projection for FY 2003-04 is approximately \$9.4 million over budget after the intercept, based upon an average of projections from Chapman University, the State of California and trend data. This estimate assumes that backfill revenues received in August and September will be retained by the County. This projection also assumes that the October backfill will be paid by the state this year in full under the hardship application. The FY 2003-04 budget was reduced for this backfill during November due to the uncertainty of collection. The November backfill has not been received, and has been made part of the loan payable in 2006 per SB 1057.

The Transportation Planning & Development roundabout is a State subvention to partially offset the property tax shift to the Education Revenue Augmentation Fund (ERAF) implemented in FY 1993-94.

VLF revenue for FY 2002-03 is reduced by \$21.8 million for the VLF intercept for the 1995 Refunding Recovery Bonds. In FY 2003-04 this intercept increases to \$28.3 million. We have not adjusted the sales tax or vehicle license fee revenue projections for intercepted revenues under the 1996 Recovery Certificates of Participation (COPs) since generally accepted accounting principles require that we recognize these revenues. The intercepted revenue for the 1996 COPs is offset by a budgeted debt service payment.

9. 7310: Property Tax Administration Charge

The FY 2004-05 estimate assumes a 10.0 percent growth in revenue due to increases in salaries and benefits and data services costs which are partially recovered through this revenue.

10. 6470: Franchises

Estimated revenue for FY 2004-05 assumes no growth, and includes some one-time revenues.

11. 6610: Interest

Interest recorded here includes interest earned on Fund 100 County General Fund, Fund 300 Trust Funds, 15S Designated Special Revenue Fund, along with other funds like 15C Theo Lacy Jail Construction. Interest earned on the 1995 Recovery Bonds and the 1996 Recovery COPs reserve accounts is recorded in revenue source 7811.

Projected interest revenue for FY 2003-04 is \$1.5 million under budget, due to a lower than expected interest earnings rate.

The estimated FY 2004-05 interest rate is 1.4 percent, based on projections from the Treasurer-Tax Collector and Chapman University. Each one percent change in interest rate earnings would result in an estimated change of \$4.4 million in interest revenue.

12. 7130: Other Governmental Agencies

The FY 2002-03 actual revenues include \$2.8 million in CRA passthrough revenues and \$9.9 million in Teeter net proceeds. The FY 2003-04 projection assumes a slight drop in the Teeter net proceeds. CRA pass-through revenues are now recorded in revenue code 7120.

13. 7811: Operating Transfer

Projected FY 2003-04 and estimated FY 2004-05 revenues are detailed below:

Fund No.	Description	(In Thousands)	
		Fiscal Year 2003-04	Fiscal Year 2004-05
135	Real Estate Development Fund	\$ 538	\$ 0
145	Revenue Neutrality	33	78
15J	Pension Obligation Bond Reserve Interest	7,500	7,500
15R	Debt Reduction	1,552	1,552
15S	Designated Special Revenue	29,700	0
	Totals	<u>\$39,323</u>	<u>\$ 9,130</u>

14. Fund Balance Available

Actual fund balance available (FBA) at June 30, 2003 was \$163.8 million.

The projected FBA at June 30, 2004 of \$107.2 million results from the General Fund agencies' net County Cost savings and excess General Fund Level revenue.

In the aggregate, agencies are projecting a net County Cost surplus of \$64.0 million. General Fund level revenues are projected to be \$6.2 million over budget, due mainly to motor vehicle license fees and property transfer taxes. The components of FBA are:

	Projection (million)
Budgeted Ending FBA	\$ 27.9
Department/agency Net Cost underruns	64.0
General Fund Level revenue surplus	6.2
Decrease in prior year encumbrances	9.1
Projected June 30, 2004 FBA	<u>\$107.2</u>



Notes to Available Financing Report  
County General Fund Available Financing FY 2005 and 2004  
Page 4

Schedule B shows the detailed explanation of the projected FBA ending balance of \$107.2 million.

Departments/agencies with appropriation deficits are listed on Schedule C. Those with revenue deficits resulting in net County Cost deficits are also shown on Schedule C.

JEG:wg:lr  
(WG LR/ Notes AF)

**SECOND AVAILABLE FINANCING REPORT  
EXPLANATION OF FUND BALANCE AVAILABLE  
FISCAL YEAR 2004-05**

**SCHEDULE B**

<b>FY 03-04 UNSPENT CONTINGENCY APPROPRIATIONS</b>	<b>\$</b>	<b>27.9</b>
<b>DEPARTMENT/AGENCY NET COST UNDER/(OVERRUNS):</b>		
Capital Projects	\$25.1	
Miscellaneous Agency	20.7	
Recorder	6.2	
Resources and Development Management	2.0	
CEO	1.5	
Public Defender	1.5	
Registration and Election	1.5	
Assessor	1.1	
AFDC Foster Care	1.1	
Treasurer-Tax Collector	0.9	
Probation	0.6	
Trial Courts	(2.0)	
All other Dept./ Agencies	<u>3.8</u>	64.0
<b>GENERAL FUND LEVEL REVENUES OVER/(UNDER) REALIZED:</b>		
Motor Vehicle License Fee	\$ 9.4	
Property Transfer Tax	8.6	
Property Tax Penalties	3.0	
Supplemental Property Tax	1.6	
Transfers In	(14.8)	
Interest Income	(1.5)	
Net of All Other General Fund Level Revenue	<u>(0.1)</u>	6.2
<b>ADD: PRIOR YEAR ENCUMBRANCE CANCELLATION</b>		<u>9.1</u>
<b>PROJECTED FUND BALANCE AVAILABLE, JUNE 30, 2004</b>	<b>\$</b>	<b><u>107.2</u></b>

SCHEDULE C

AVAILABLE FINANCING REPORT  
NET COUNTY COST AND APPROPRIATION DEFICITS  
AS OF MARCH 15, 2004

AGY	NAME	BUDGETED APPROP.	PROJECTED EXPEND. & ENCUMB.	APPROP. (DEFICIT) SUPPLUS	BUDGETED REVENUE	PROJECTED REVENUE	REVENUE (DEFICIT) SURPLUS	TARGET NET COUNTY COST	PROJECTED NET COUNTY COST	NET CO COST (DEFICIT) SURPLUS
081	TRIAL COURTS	67,677,183	67,490,764	186,429	38,922,055	36,701,221	(2,220,834)	28,755,128	30,789,533	(2,034,405)
065	AFDC	113,766,221	114,638,779	(872,558)	110,922,065	111,772,810	850,745	2,844,156	2,865,969	(21,813)
016	RECOVERY COP LEASE FIN	64,403,752	67,214,483	(2,810,741)	64,403,752	67,214,483	2,810,741	0	0	0
012	COMM. SVCS. AGENCY	15,984,818	17,940,183	(1,955,375)	12,986,544	14,951,919	1,955,375	2,988,274	2,988,274	0
040	UTILITIES	21,961,350	22,322,960	(361,610)	921,690	1,283,300	361,610	21,039,660	21,039,660	0
073	ALT DEFENDER SERVICES	9,959,000	10,139,000	(180,000)	4,864,500	5,171,089	306,589	5,094,500	4,967,911	126,589
056	EMPLOYEE BENEFITS	7,656,415	7,816,025	(159,610)	4,386,810	4,625,194	238,384	3,269,605	3,189,831	79,774
	TOTAL	301,408,739	307,561,204	(6,152,465)	237,417,416	241,720,026	4,302,610	63,991,323	65,841,178	(1,849,855)